

**Potential Non-US Grain Supplies for the USSR, 1983 Marketing Year***Million Tons*

	Current Production	Total Export Supplies	<u>Committed Exports <sup>a</sup></u>		Uncommitted Exports
			Non-USSR	USSR	
<b>Total</b>	<b>332.5</b>	<b>82.6</b>	<b>40.4</b>	<b>17.0</b>	<b>25.2</b>
Argentina	28.9	17.0	2.5	5.5	9.0
Australia	19.0	14.0	10.0	0	4.0
Canada	47.8	24.3	10.0	10.0	4.3
Eastern Europe	96.2	1.0	0	1.0	0
European Community	124.6	19.0	13.0	0	6.0
South Africa	11.4	4.3	4.3	0	0
Thailand	4.6	3.0	0.6	0.5	1.9

<sup>a</sup> The figures for non-USSR committed exports include both long-term grain agreements and likely exports to major traditional customers.

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WESTERN EUROPE - USSR: Pipeline Developments

*The French Government's announcement yesterday ordering French companies to fulfill all existing contracts with the USSR is the first direct attempt by the West Europeans to circumvent US pipeline sanctions.* [redacted]

Comment: The French move--which forces Alsthom-Atlantique to fulfill its contract of November 1981 to supply 40 sets of turbine rotors manufactured under license from General Electric--may encourage other West European governments to defy the sanctions. The West Europeans may have, in fact, coordinated their efforts to some degree already. [redacted]

The decision by France marks a major breakthrough for the USSR in its efforts to circumvent the US sanctions. Delivery of the 40 Alsthom rotors, which probably were intended originally as spares for the 120 rotors to be built by GE, could enable the three West European turbine builders to meet their initial delivery obligations to the Soviets. [redacted]

In addition to the 40 rotors in Alsthom's existing contract, a total of some 20 GE-produced rotors are held by Nuovo Pignone of Italy, John Brown of the UK, and AEG-Kanis of West Germany. These rotors were shipped by GE before the imposition of sanctions last December. Their delivery was to have begun this month, but the Soviets gave the West Europeans until early August to decide whether or not to defy US sanctions. [redacted]

If the West Europeans now decide to build and ship the turbines, Moscow would have half of the 120 25-megawatt turbines planned for the pipeline. Installing just these turbines would allow operation of the pipeline at around 90 percent of capacity. Deliveries then could total about 28 billion cubic meters annually; current contracts total only 22 billion cubic meters annually. [redacted]

To acquire the remaining 60 or so turbines planned for the pipeline, the Soviets could contract to purchase the needed rotors from Alsthom--the only company holding a license to produce the GE-designed rotors. They also could produce turbines of their own design, possibly with manufacturing assistance from West European firms. [redacted]

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USSR: Status of Grain Crop

*The grain crop in the USSR this year probably will amount to only about 165 million tons, and it could be considerably lower.*

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Drought and hot, dry winds in mid-June in the main spring wheat belt substantially reduced potential yields of both winter and spring grains. A more intensive drought in the first two weeks of July hit when grain kernels were forming.

Comment: Another bout of hot, dry weather in the spring grain areas or a prolonged harvest in the European USSR--which could subject late-sown spring grain to early, killing frosts--could result in a crop far smaller than the unofficially reported 158-million-ton harvest in 1981.

Moscow's long-range plans to become less dependent on grain imports from the West have been thwarted again. Regardless of the actual harvest, the USSR this year may import as much as 50 million tons of grain--somewhat above the record level in 1981 of 46 million tons. With bumper harvests and record grain stocks in key exporting countries, the Soviets will have little difficulty lining up these imports.

The USSR is likely to obtain some grain from the US. If Moscow decides to avoid the US market, however, nearly the entire amount probably could be obtained from other major exporters--especially Canada, Argentina, Australia, and the EC countries--if it is willing to pay a premium to obtain grain scheduled for other countries.

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A fourth consecutive poor grain crop and the resulting lackluster overall agricultural performance jeopardize President Brezhnev's promise last May of an improved food supply in 1982. Even with heavy grain imports, a 165-million-ton crop would leave the USSR far short of the quantities of grain required to meet domestic needs.

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The crucial shortage of livestock feed could be eased by a reduction of grain directed to food and industrial uses. Nonetheless, some distress slaughter, primarily of hogs, would be necessary to alleviate the shortage. Even with this additional meat available, meat production this year would fall below the level in 1981 of 15.2 million tons.

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